Government of
Saskatchewan

Annual Report
1984-85

Saskatchewan
Public Utilities
Review Commission

86-03320/

Annual Report
1984-85

Saskatchewan
Public Utilities
Review Commission

E R R A T A

[Annual Report 1984-85] p.3 para.2 of Hearings Read:

[Section 5(4) of the Act states that the Commission may, in its discretion,] instead of
[Section 3(4) of the Act states that the Commission may, in its discretion]

[Annual Report 1984-85] p.6 Delete:

[April 1, 1985 SAF Application SGI 1-85
Requested premium amendments for the following reasons: corrections of errors, new model names, consistency with existing rates, differentiation between two vehicles and similarity to vehicle class rates.]

[Annual Report 1984-85] p.9, Read:

[March 14, 1985 Order SGI 3-85] instead of
[March 14, 1985 SGI 3-85]

[Annual Report 1984-85] p.9, under March 14, 1985 SGI 3-85 delete:

[e) revenue from the sale of gas to the electric utility was to be adjusted so that the revenue to cost ratio falls within the range of 1.05 to 1.08.]

[Annual Report 1984-85] p.10, Add:

[March 26, 1984, SPC 5-84

This Order was issued in response to a request made by SPC during the Phase II Hearing. The Order approved on an interim basis, changes to SPC's investment policy applicable to new service extensions in communities designated under the Saskatchewan Natural Gas Distribution Program. The new investment policy requires a $100 service charge to ensure installation of main, service line and meter to the new service premise, and a further $100 on completion of construction for gas customer extensions in urban areas. This policy change was made effective March 31, 1984, and was to remain in effect pending the issuance of a Final Phase II Order.]

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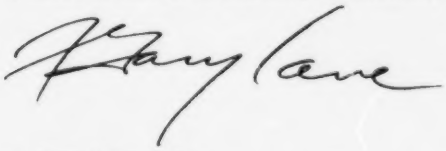
Letters of Transmittal

To His Honour
The Honourable F.W. Johnson
Lieutenant Governor of the
Province of Saskatchewan

Dear Sir:

I have the honour to submit, herewith, the annual report of Saskatchewan Public Utilities Review Commission for the 1984/1985 operating year, including the financial statement therefor, duly certified by the Provincial Auditor, and in the form approved by the Treasury Board, all in accordance with the Saskatchewan Public Utilities Review Commission Act.

I have the honour to be, Sir, your obedient servant.



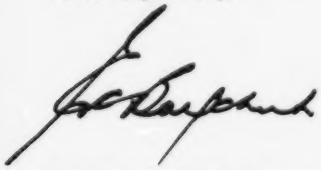
J. Gary Lane, Q.C.
Minister of Justice and
Attorney General

The Honorable J. Gary Lane,
Minister of Justice and
Attorney General of Saskatchewan,
Legislative Building,
Regina, Saskatchewan
S4S 0B3

Dear Mr. Lane:

I have the honor to submit herewith the Annual Report of the Saskatchewan Public Utilities Review Commission for the 1984/1985 operating year.

Yours respectfully,



Associate Chief Judge,
E.C. Boychuk, Chairman.

Introduction

The purpose of this report is to comply with Section 41(1) of the **Public Utilities Review Commission Act** (the **Act**). The **Act** requires the Commission to submit to the Minister of Justice a report respecting the administration of the **Act** and to set out briefly all applications made to the Commission, as well as to summarize the Commission's findings and determinations.

This report encompasses the April 1, 1984 to March 31, 1985 period.

The Members

The **Act** provides for not more than seven Commissioners to be appointed by the Lieutenant Governor-in-Council. Each commissioner holds office during pleasure for a period of not more than five years, and each commissioner is eligible for reappointment. At March 31, 1985 the Commission consisted of the following members:

E.C. Boychuk - Chairman, Saskatoon
June L. Blau - Vice-Chairman, Regina
Roy Billinton - Member, Saskatoon
Bernard H. Kirwan - Member, Gull Lake
Emily Poncelet - Member, Whitewood
E. Marion Sherman - Member, Prince Albert

There was one vacant position.

The Staff

The permanent staff of the Commission consists of the Chairman, the Commission Secretary, an Administrative Officer, a Rate Case Analyst and a Clerk Steno. In addition, the Commission employed a law student on a part-time basis.

Location

The Commission office is located at:

Sturdy-Stone Centre,
122 Third Avenue North
Saskatoon, Saskatchewan
S7K 2H6

Public Utility Regulation

Section 3(1) of the **Act** states that the Commission is responsible for the regulation of the following:

1) Saskatchewan Power Corporation (SPC) and North-Sask Electric Ltd. with respect to their rates for the sale of electrical energy or gas within Saskatchewan.
2) Sask Tel with respect to its rates charged within Saskatchewan for non-competitive telephone services.
3) Saskatchewan Government Insurance as insurer under the **Automobile Accident Insurance Act (AAIA)** with respect to basic premiums for motor vehicles, trailers, semi-trailers and drivers.
4) any corporation, including a municipal corporation, which is designated in the regulations and which sells electrical energy or gas within Saskatchewan, with respect to its rates for such sales.

At present no municipal corporations are subject to the Commission's jurisdiction.

Since the regulated services are provided by the corporations on a monopoly basis, the Commission considers that its role is to provide, as far as possible, a substitute for the absence of market forces. In this way the regulated monopolies will operate more efficiently and the benefits with respect to price and allocation of resources will accrue to their customers.

When a corporation applies for an amendment to its rates, it must satisfy the Commission that the proposed new rates are reasonable and justified in the circumstances. As a quasi-judicial body, the Commission has a dual role in considering a rate application. In its capacity as a judge, the Commission hears and weighs evidence submitted by the applicant corporation and other interested parties. In its capacity as a public interest advocate, the Commission actively seeks out this evidence through the interrogatory process and cross-examination by its own counsel. It is through this process that the Commission seeks to exert the same type of pressure on the corporations as would exist if they were operating in a competitive environment.

All of the corporations presently regulated by the Commission are Crown-owned. This is reflected in a number of provisions in the **Act** which may serve to modify the Commission's regulatory function.

Section 3(2) provides that the Lieutenant-Governor-in-Council "may by regulation exempt a corporation from compliance with any provisions of (the) Act with respect to a rate or class of rates." Section 12(2) provides that the minister to whom the administration of the **Act** is assigned may request the Commission to "rehear an application or reconsider any decision or order made by it." No regulations or requests have been made under sections 3(2) or 12(2).

Section 24 of the **Act** provides a mechanism whereby the Lieutenant-Governor-in-Council may give direction to the Commission by way of an Order-in-Council.

> s. 24(2) The commission shall comply with any general or special direction of the Lieutenant-Governor-in-Council with respect to the exercise of its powers and duties.
>
> (3) Any direction given pursuant to subsection (2) is to be given in the form of an Order-in-Council, published in the Gazette and, where the direction was relevant to the commission in arriving at its decision, shall be referred to in any written reasons for decision provided by the commission pursuant to section 32.

One Order-in-Council was made pursuant to this section and directed the Commission to exercise its power under Section 12(1) of the **Act**.

> s. 12(1) The commission may rehear an application before deciding it, or may review, reconsider, rescind or vary any order or decision made by it.

Order-in-Council 824/84 dated July 12, 1984 directed the Commission to:

1) vary Commission Order SPC 6-84 so as to require that any increase to the Farm Rates as a class be no greater than an average 9.5% increase over Farm Rates in effect at the time Order SPC 6-84 was made by the Commission;
2) rescind Commission Order SPC 7-84 insofar as it applies to Farm Rates; and
3) require SPC to submit to the Commission for approval by the Commission, a new proposed schedule of Farm Rates in accordance with Commission Order SPC 6-84 as varied pursuant to this order.

Jurisdiction

The Commission may hear and determine all questions of law and fact. The decisions of the Commission may be appealed, with leave to the Saskatchewan Court of Appeal, on a question of law or jurisdiction within thirty days of a Final Order. In addition, the Commission may state a case in writing for the opinion of the Court of Appeal on a question of law or jurisdiction. There were no stated cases or appeals of Commission decisions in fiscal 1984/85.

Procedure

Under the provisions of Section 28(2) of the **Act**, the Commission may adopt rules respecting practice and procedure. The Commission has decided not to adopt formal rules of procedure, choosing instead to publish guidelines which will enable the Commission to keep the process flexible and accessible to the public.

The guidelines have been published by the Commission in three parts under the title "Information for Intervenors". The first part entitled "Application Review Guidelines" sets out the general sequence of events from the time an application is filed with the Commission, through to the issuance of a final order. In addition, this part addresses the points that should be included in an intervenor submission and by the corporation in a rate application.

The second part entitled "The Hearing Process" explains the Interim Increase Hearing and the two components - Phase I and Phase II of the Main Hearing. At an Interim Increase Hearing, the applicant corporation must satisfy the Commission that the corporation cannot maintain its financial integrity until a final determination of the application is made. At a Phase I Hearing, the Commission considers the corporation's revenue requirements. At the Phase II Hearing, the Commission considers the rate structure proposed by the corporation to generate the revenue requirement established in Phase I.

The third part, entitled "Procedure at Commission Hearings" traces the order of presentation of evidence and cross-examination.

These publications are available to the public on request.

Public Notice

Section 5(4) of the **Act** states that the Commission "shall give public notice of the application in the manner prescribed in the regulations . . .". No regulations have, to date, been passed. The Commission has adopted the practice of giving public notice of general rate increase applications and the date of pre-hearing conferences by advertising in Saskatchewan's daily and weekly newspapers and in the Saskatchewan Gazette. The Commission regularly receives applications from Sask Tel requesting minor revisions to its General Tariff. The Commission has adopted the practice of reviewing these applications internally and granting interim approval for the rates. Public notice of the application is then given prior to a public hearing at which intervenors are given the opportunity to address each application prior to a final order being made.

Hearings

During fiscal 1984/85, there were a total of 8 public hearing days broken down as follows:

SPC	3 hearing days - completion of Phase II
Sask Tel	0 hearing days - no public hearing
SGI	5 hearing days - Pre-hearing, Phase I, Phase II

Section 3(4) of the **Act** states that the Commission may, in its discretion, hold public hearings with respect to an application. Section 30(2) of the **Act** states "Except as otherwise authorized by this Act or the regulations, the hearings of the Commission are to be open to the public".

Section 25 of the **Act** states:

"The Commission may:

a) hear and determine all questions of law or of fact;
b) hold proceedings, including hearings, in camera if it considers it necessary to do so:
   i) in the public interest; or
   ii) in the event that disclosures to be made at the proceeding may harm the financial interest of a corporation or any other person if revealed in public;
c) make any orders that it considers necessary to protect the confidentiality of information disclosed at proceedings held in camera or otherwise obtained by the Commission."

The Commission would prefer that all information supplied by the applicant corporation be made public. However, the Commission has found it necessary to accept some information on a confidential basis. When an objection has been raised to requests for confidentiality, the Commission has heard argument and attempted to facilitate a compromise solution so that sufficient information was made available to allow effective public participation. The Commission did not hold any **in camera** hearings in fiscal 1984/85.

Intervenors

Intervenors are simply interested parties that register with the Commission and who receive copies of the application and all written questions and answers.

Intervenors may choose not to actively participate in the hearing process, but simply to receive the available information. Alternatively, intervenors may take an active role in the hearing process. They may submit written questions, give evidence, call expert witnesses and cross-examine the applicant corporation. If an intervenor chooses to submit evidence and cross-examine the applicant, the corporation as well as other intervenors will also be given an opportunity to cross-examine the intervenor and any of his/her witnesses.

The Commission is pleased with the intervention it has received to date and has made every effort to encourage and assist intervenors. There were thirteen intervenors registered for the SGI hearing, and ten intervenors, who registered in calendar 1984, participated in the April SPC hearings. The Commission believes that active interventions are essential to their regulatory function. Through interventions the Commission is able to receive information from specific customers, which might not otherwise be available, regarding the impact of proposed rate changes on specific customer classes.

In addition to submissions by intervenors, the Commission receives submissions from members of the general public and files these submissions in evidence at the hearings when requested. The Commission continues to encourage submissions from the general public.

Expenditures

The sums required for the purposes of the Commission are provided from money appropriated by the Legislature. The Commission's general operating expenses for the fiscal 1984/85 year were $233,876.

The Commission recovers direct hearing costs from the regulated corporations, which in turn recover these costs through customer rates. This practice is consistent with the role of a regulatory Commission responsible for regulating monopolies, and is consistent with the practice of other public utility boards and commissions.

Direct hearing costs for the three corporations within the Commission's jurisdiction during the 1984/85 fiscal year were as follows:

Saskatchewan Power Corporation	$104,010
Saskatchewan Telecommunications	$ 17,533
Saskatchewan Government Insurance	$ 80,064
Total	$201,607

Direct hearing costs include the following:

— commissioners' per diems and expenses
— staff travel and sustenance
— consultants' fees and expenses
— legal counsel fees and expenses
— intervenor costs
— rent of grounds/buildings
— court reporting expenses
— publication of notices
— audio/visual expenses

Intervenor Costs

The Commission did not award any intervenor costs during the fiscal 1984/85 year.

Applications

Saskatchewan Telecommunications

May 30, 1984 **Application ST84-07**

This application requested approval of a 50% discount on the rates for Wide Area Telephone Service where the service will be used solely for the purpose of relaying messages for hearing impaired persons who are certified telewriter users.

July 3, 1984 **Application ST84-09**

Requested approval of rates for a new computer software package and associated devices which provide additional enhanced service features on the SX-20 Electronic Private Automatic Branch Exchange (EPABX) system.

August 9, 1984 **Application ST84-10**

Involved concurrent requests to: 1) approve rates for a new long distance calling package called DIALPAC; and, 2) to move Extended Area Service to the Discontinued Services section of the General Tariff.

July 25, 1984 **Application ST84-11**

Application for approval of a number of minor changes in Sask Tel's General Tariff - Regulated Service pages.

September 14, 1984 **Application ST84-12**

This application requested approval of rates for an Intra-Provincial 800 Service with a lower criterion for the minimum number of hours of calling per month. The new service allows customers to purchase a minimum of five hours of calling per month rather than the previous minimum of ten hours per month.

September 17, 1984 **Application ST84-13**

Application for approval of exchange reclassifications and wording changes.

November 5, 1984 **Application ST84-15**

Application for rate approval for 1984 vintage SX-10 EPABX equipped with generic 103 software.

October 1, 1984 **Application ST84-16**

The application requested approval of rates for a Telecom Canada 800 Service with a lower number of minimum calling hours per month. The new service allows customers to purchase a minimum of five hours of calling per month rather than the previous minimum of ten hours per month. The application further requested approval to add a 5% premium to existing Telecom Canada 800 Service rates.

December 20, 1984 **Application ST84-18**

Application for rates for the Delphi-6 Electronic Multi-Line Key System.

November 19, 1984 **Application ST84-19**

Requested approval for a number of minor changes to Sask Tel's General Tariff - Regulated Services.

January 16, 1985 **Application ST85-1**

Requested approval for a number of minor changes to Sask Tel's General Tariff - Regulated Services.

February 14, 1985 **Application ST85-2**

Requested approval for a promotional market trial of Custom Calling Services within the Weyburn area. The trial was to determine market acceptance of the Custom Calling Service.

February 28, 1985 **Application ST85-3**

Application to levy a $10 processing charge against NSF cheques.

Saskatchewan Government Insurance

May 29, 1984 **SAF Application May/84**

Requested approval of amendments to the automobile insurance premium schedule for newly registered or new make/models of vehicles.

September 14, 1984 **SAF Application September/84**

On September 14, 1984 SGI filed an application requesting new premiums for the Saskatchewan Auto Fund (SAF).

SGI requested a zero percent change in overall revenue for the SAF. However, the application requested a restructuring of SAF rates resulting in rate changes for individual make/models of vehicles between -10% and +10%. The restructuring was stated to be in accordance with SGI's plan to develop the SAF as a user-pay system by endeavoring, as closely as possible, to assess the same premium to those with the same expectation of loss. SGI's amended application requested a revenue requirement for the May 1, 1985 to April 30, 1986 rating period of $235,823,000.

In addition, SGI requested that the Fund's Rate Stabilization Reserve (RSR) be established at a level sufficient to allow rate changes to be consistent, regular and reasonable over time. In order to achieve this objective, SGI submitted that the RSR should enable the Fund:

1) to stabilize the pattern and magnitude of rate changes resulting from the volatile nature of claims costs;
2) to offset in whole or part the financial impact on premiums of major coverage and benefit improvements and of changes in the SAF's external legal environment; and,
3) to compensate for the claims cost prediction error inherent in claims cost forecasting.

Concurrent with the announcement of the application, the Government of Saskatchewan announced increased benefits under the **AAIA.** The increased benefits included doubling the third party liability coverage to $200,000, enhanced death benefits paid to primary and secondary dependents, and a 15% increase in supplementary medical payments.

The new enhancements were projected to cost the Fund some $2.5 to $2.9 million annually and were expected to be absorbed through the existing Rate Stabilization Reserve without a general increase in revenue required.

During the course of the Phase I hearing, SGI proposed for the first time, a formula for determining the amount which should constitute the Rate Stabilization Reserve. It suggested that the Rate Stabilization Reserve should amount to 33⅓% of annual premiums written.

At the same time it was disclosed that there would be more in the Rate Stabilization Reserve in 1985 than would be required to meet the Auto Fund's operating objectives. SGI stated that it was most anxious to bring forward for the Commission's consideration initiatives that could return approximately $25 million to the Saskatchewan motorist.

In this application, SGI for the first time segregated the costs associated with the different **AAIA** insurance coverages for each vehicle registration class: no fault injury and death coverage (Part II), collision and comprehensive coverage (Part III) and third party liability coverage (Part IV). The effect of the segregation was to take the total projected costs for Part II and Part IV coverage for each vehicle registration class and divide it by the total number of vehicles registered in that class. The resulting figure was termed the Part II/IV flat fee which was then to be applied to each make/model in the registration class. Part III rates were to be determined on the individual vehicle's loss cost determined by calculating the frequency of accidents and average cost per claim for each make/model of vehicle.

September 26, 1984 SAF Application September/84

This application requested approval of additions and amendments to the premium schedules for newly registered vehicles, for A class cars authorized to transport goods and for truck/trailer combinations where the towing vehicle has a manufacturer's gross vehicle weight of 5,000 kg. or less.

November 23, 1984 SAF Application November/84

Requested approval of premiums for newly registered and new make/models of vehicles.

April 1, 1985 SAF Application SGI 1-85

Requested premium amendments for the following reasons: corrections of errors, new model names, consistency with existing rates, differentiation between two vehicles and similarity to vehicle class rates.

Saskatchewan Power Corporation

November 8, 1984

This application requested approval for:

1) An additional $500 charge to certain infill customers who obtain natural gas service under the Saskatchewan Natural Gas Distribution Program (SNGDP) after the initial SNGDP installations have been completed in their area.
2) The establishment of a formal rate schedule applicable to gas sold by SPC's gas utility to SPC's electric utility.
3) A change in the effective date of the revised Irrigation Class customer electrical rate from August 1, 1984 to December 1, 1984.
4) Minor wording changes to the Oilfield General (0-500 kVA) electric rate schedule to clarify current billing procedures.
5) The removal of North-Sask Electric Ltd. from the regular bulk electrical customer classification and the establishment of a separate internal customer classification for North-Sask Electric.

January 8, 1985

This application requested approval for two amendments to the rates schedule:

1) Wording clarifications relating to the additional $500 charge for certain infill natural gas customers under the Saskatchewan Natural Gas Distribution Program.
2) Wording changes to the Bulk Customer Class electrical rate schedule to clarify current billing procedures.

March 29, 1985

This application requested approval to amend SPC's Farm Irrigation Corporate Investment Business Policy by adding a new section on project development relating to the supply of electricity for irrigation on a group or project basis.

Orders

Saskatchewan Telecommunications

April 10, 1984 **Order ST 1-84**

This order granted approval of a number of minor amendments requested under Application ST84-01. The amendments included: wording clarifications, changes in wording due to policy changes, addition of new equipment, deletion of obsolete equipment, service reclassifications, transfer of a service from the Regulated Tariff to the Unregulated Tariff, and corrections of errors and omissions.

April 30, 1984 **Order ST 2-84**

This order approved Application ST84-02 which requested the deletion of a number of obsolete exchange systems from the approved rates schedule. The order also directed Sask Tel to waive the installation charge for new systems installed to replace the obsolete systems.

May 11, 1984 **Order ST 3-84**

Application ST84-06 was approved by this order. Effective May 11, 1984 approval was granted for customer-dialed rates for long distance calls between Saskatchewan and Mexico.

May 14, 1984 **Order ST 4-84**

Application ST84-04 requested rate approval for Remote Call Forwarding Service. This order approved the request effective May 10, 1984. Remote Call Forwarding Service permits a business office to subscribe to a local number in another exchange and have the call forwarded to the subscriber's office. Both the long distance and the remote call forwarding charges are paid by the business subscriber.

June 4, 1984 **Order ST 5-84**

This order approved Application ST84-03, which requested rate approval for an enhanced SX-200 Electronic Private Automatic Branch Exchange Service (EPABX).

June 4, 1984 **Order ST 6-84**

This order approved Application ST84-05, which requested the transfer of manufacturer discontinued SG-1 and SG-1A Electronic Private Automatic Branch Exchange Service (EPABX) rates to the Discontinued Services section of the General Tariff - Regulated Services.

June 11, 1984 **Order ST 7-84**

This order approved a 50% discount on the rates for Wide Area Telephone Service for hearing impaired individuals who are certified telewriter users. Sask Tel requested approval of the discount in Application ST84-07.

October 12, 1984 **Order ST 8-84**

Application ST84-09 requested rate approval for an Enhanced SX-20 (Generic 400 to 503 software) Electronic Private Automatic Branch Exchange Service (EPABX). These systems permit station message detail recording and automatic wake-up and are compatible with the "Super Set" telephones. Order ST 8-84 approved the Application on an interim basis.

Order ST 8-84 established the procedure of granting interim approval for applications that effect only narrow classifications of individual customers. The Commission will issue an interim order if, after examining the application and posing pertinent questions, it is satisfied that the proposed rate is reasonable and justified in the circumstances. Interim orders allow Sask Tel to carry on its normal course of business between public hearings. At hearings the general public is given an opportunity to address the interim orders before they are made final.

October 12, 1984 **Order ST 9-84**

This order approved, on an interim basis, rates for 800 Service within the province of Saskatchewan and to Canadian zones outside the province where the 10-hour entry level will be replaced by a 5-hour entry level. As well, this order approved the restructuring of rates for 800 Service in Canadian zones outside of Saskatchewan. Two name changes were also approved. Inwats Service became 800 Service and Outwats Service became WATS. Applications ST84-12 and ST84-16 requested these changes.

November 29, 1984 **Order ST 10-84**

Applications ST84-11 and ST84-13 requested a number of minor changes to the approved Sask Tel rates schedule. Order ST 10-84 approved these minor changes on an interim basis with the exception of Sask Tel's request to change the minimum balance against which late payment charges will be assessed on overdue accounts. This request was denied.

November 29, 1984 **Order ST 11-84**

This order gave interim approval of new rates for an enhanced SX-10 Electronic Private Automatic Branch Exchange (EPABX) system as requested by Sask Tel in Application ST84-15.

January 16, 1985 **Order ST 1-85**

This order granted interim rate approval to Applications ST84-18 and ST84-19. These applications requested rates for a new Multi-Line Key System (MLKS) called Delphi 6 and new SL-1 Data Modules. In addition, these applications requested changes to clarify or modify policies described in the Regulated Tariff. The Commission noted that decisions to change policies regarding customer provided trenching are Sask Tel's decisions since these policies do not involve a rate change.

March 5, 1985 **Order ST 2-85**

Application ST85-1 requested a number of minor changes to the approved Sask Tel rates schedule. This order granted interim approval of these requests, but recommended that Sask Tel retain in the General Tariff the comments concerning availability of the Special Assembly Fire Alarm Service. Since this service is still available to communities without automatic switching equipment, the Commission decided that it was unnecessary to delete this information from the tariff pages as Sask Tel had requested.

March 20, 1985 **Order ST 3-85**

Application ST85-2 requested the waiver of certain charges relating to Custom Calling Services in the City of Weyburn for a two-month trial period. Order ST 3-85 approved the application on an interim basis.

Saskatchewan Government Insurance

June 11, 1984 **Order SGI 1-84**

This order approved the majority of new premiums requested in the February 2, February 27 and March 26, 1984 applications. Further information on premiums not approved by this order was sought.

September 10, 1984 **Order SGI 2-84**

Approved premiums for SGI's May 29, 1984 application, excepting the premiums for: the 1984 Nissan 819 PV Class; the 1974 Plymouth Fury II PV Class; and the 1971 to 1984 Chevrolet Camaro PV Class, all of which SGI agreed to withdraw. This order also ruled on the February 2 request to change the "leased cars" classification to "leased cars and trucks". This request was found to be beyond the Commission's jurisdiction as changes to classifications of vehicles, pursuant to Section 5(1) of the **AAIA** must be made by the Lieutenant-Governor-in-Council.

November 30, 1984 **Order SGI 3-84**

This order flowed from SGI's application of September 14, 1984 and the Phase I revenue requirement hearings held in Regina November 19 and 20, 1984. The order addressed a number of issues regarding SGI's administration of the Saskatchewan Auto Fund (SAF). The two principal issues were the establishment of an adequate level for the SAF's Rate Stabilization Reserve (RSR) and the determination of a revenue requirement for the May 1, 1985 to April 30, 1986 rating period.

After reviewing SGI's evidence, the evidence of a consulting actuary hired by the Commission, and the positions of registered intervenors, the Commission stated:

> "The growth in the Rate Stabilization Reserve is largely due to two factors, the overestimation of projected claims incurred and the underestimation of premiums earned."

The Commission decided that "the primary purpose of the Rate Stabilization Reserve should be to offset the inherent volatility of claims costs", and that "the establishment of an appropriate level for the Rate Stabilization Reserve should not involve consideration of an amount to offset or smooth the rating impact of increased future coverage or benefit charges in the **AAIA** or changes in the external legal environment." The Commission stated that to allow the RSR to be used for such purposes "would violate the principle that the AAIA is a user-pay program."

The Commission addressed SGI's three principles of Equity, Stability and Consistency.

The Commission approved SGI's submission that SAF rates should be equitable in that the same premium should be charged to persons with the same expectation of loss. However, the Commission rejected SGI's submission that equity between generations should not be considered for the SAF and stated:

> "The Commission . . . firmly believes that equity between generations of insureds should remain a fundamental objective of the SAF."

The Commission reaffirmed its approval of SGI's principle of Stability in SAF rates. That is, that the SAF should operate on a self-sustaining, break-even basis over the long term, such that for the term in which the AAIA is in force there are sufficient revenues to match the outstanding financial obligations of the Fund. However, the Commission rejected SGI's submission that the SAF should be capitalized at the minimum level recommended by the federal Superintendent of Insurance (3 to 1 premium to surplus capital ratio). The Commission stated: "The SAF's solvency is not related to a capitalization ratio of 3 to 1 since it is a monopoly and is assured of writing premiums in every year."

The Commission also reaffirmed its approval of SGI's principle of Consistency in SAF rates. That is, rate changes should be based on long-term trends in the underlying costs of providing SAF insurance and that rate changes should be regular and reasonable.

The Commission stated that the level of the RSR should be set at 25% of expected claims costs and ordered SGI to administer the SAF in such a way that the allowed RSR at the end of the 1985 fiscal year was not expected to exceed $38,500,000.

The Commission recognized that establishing an adequate level for the RSR without also adjusting premiums would result in increases in the RSR in future years exceeding the 25% of expected claims formula. Therefore, the Commission also ordered a revenue requirement for the May 1, 1985 to April 30, 1986 rating period of $207,000,000 or approximately $29,000,000 less than requested. SGI was instructed to submit new rates which, after accounting for investment income, would be expected to generate total revenue of $207,000,000.

January 7, 1985 Order SGI 1-85

This order approved the majority of premiums submitted in minor applications dated September 26 and November 23, 1984. Both applications dealt primarily with premiums for 1985 vehicles. In addition, the order approved premiums for new vehicle classifications (including the "Leased Trucks" classification contained in the February 2, 1984 Application) subject to regulations establishing these vehicle classifications being passed. Refunds were also ordered to owners who had purchased Automobile Accident Insurance coverage at selected rates applied for in the September 26 and November 23, 1984 Applications.

February 28, 1985 Order SGI 2-85

This order flowed from the Commission Phase I Order dated November 30, 1984. Pursuant to that order, SGI filed an amended rates schedule on January 7, 1985. The amended rates schedule proposed to remove the $15.00 basic premium rate on all drivers' licences and rerated the entire vehicle population to provide for rate changes in the −16% to +5% range. In addition, SGI proposed the creation of a new sub-category of Private Farm Cars within the PV class. SGI also indicated that it proposed to reduce the level of the RSR in two stages, the first being a rebate of $25.7 million to "good drivers" on May 1, 1985.

The Commission approved SGI's refinement of the risk-based rating system through segregation of insurance coverages recognizing that it represented an improvement over the previous method of assessing the costs for these coverages. The Commission also approved SGI's proposal to limit rate changes for individual makes/models of vehicles to between -16% and +5%. However, the Commission was concerned that by capping increases at 5% and rounding premiums down to the nearest five dollar increment, some vehicles, which were not paying even their Part II/IV flat fee would not be assessed any increase at all. Therefore, the Commission ordered that, with the exception of the PV Miscellaneous class, those private passenger vehicles whose premiums were not sufficient to at least cover their Part II/IV flat fee, receive an increase up to the Part II/IV flat fee or $25.00, whichever amount was the lesser. The Commission amended Order SGI 3-84 to allow SGI to collect the additional revenue resulting from the Part II/IV flat fee adjustment. The Commission stated that it expected SGI to continue to move toward ensuring that premiums for all vehicle registration classes covered at least the cost of the Part II/IV coverages per class and recommended that SGI reevaluate the use of a percentage cap on premium increases when attempting to restructure its premiums.

With respect to the establishment of a Farm Car rate, the Commission recognized that there was some data to support the establishment of such a class and that it would be difficult for SGI to collect more complete data without first establishing the class and providing a separate rate for that class. Therefore, the Commission approved the premium for the Farm Car class at 90% of the rate for private passenger cars and indicated that it expected SGI to collect the data to support the new classification.

The Commission recognized that the insurance coverage provided with drivers' licences is minimal and the $15 premium was far in excess of the cost of this coverage. Therefore, the Commission approved the removal of the $15 basic premium on drivers' licences and instructed SGI to reevaluate the premiums charged for each driver's licence basic premium class.

The Commission also indicated that it considered a rebate of excess funds based on vehicle ownership to be more appropriate than a method based solely on drivers' licences, assuming that a cost-effective manner could be found to do so.

March 14, 1985 SGI 3-85

Approved the premium schedules submitted pursuant to Order SGI 2-85 as revised March 11, 1985. Also ordered that the premium schedules be amended to include the premiums submitted December 12, 1984 as a Minor Amendment Application and subsequently revised in the January 7, 1985 premium schedule. The new premium structure will be amended effective May 1, 1985.

e) revenue from the sale of gas to the electric utility was to be adjusted so that the revenue to cost ratio falls within the range of 1.05 to 1.08.

Saskatchewan Power Corporation

May 31, 1984 **Order SPC 6-84**

This order was the result of Phase I and Phase II Hearings, which began on October 24, 1983 and were completed on April 18, 1984. The order includes the following recommendations and orders:

Recommendations

1. Cost of service be a major factor in future rate design.
2. SPC develop a strategic plan with respect to rate design.
3. Future cost of service studies be prepared on an annualized and weather normalized basis.
4. Future cost of service studies clearly provide customer, demand and energy unit costs by customer class.
5. Future cost of service studies identify separately the Residential and Farm gas customer classes.
6. SPC initiate a program to obtain comprehensive load information for both the electric and gas utilities.
7. SPC conduct a study to determine the value of interruptibility in both the electric and gas utilities.
8. SPC review the method of allocating costs to, and the rate groupings of, interruptible customers in both utilities.
9. SPC further investigate incentive rates for the electric utility and report to the Commission at the next hearing.
10. SPC further evaluate the concept of spinning reserve displacement and report to the Commission at the next hearing.
11. SPC reevaluate its methodology of classifying gas supply rate base between demand-related and commodity-related costs.
12. SPC ensure that revenues from each bulk customer closely approximate the cost of service.

Orders:

1. The March 15, 1984 request for an amendment to lower the amount of the proposed increase in Rural Electric Rates was not approved.
2. The proposed rates schedules submitted January 9, 1984, including amendments dated February 17, 1984, for both the electric and gas utilities were not approved.
3. Three requested amendments to SPC's Business Policy were approved:
   - — the adoption of one policy for investments in urban residential electric underground and overhead services
   - — the adoption of one policy for investments in new rural residential and farm electric services
   - — the adoption of a policy for investment in all standard electric and natural gas General Service customer services equal to two year's equivalent anticipated revenue from the customer.
4. Confirmation of Commission Order SPC 5-84, which dealt with SPC's investment policy applicable to new service extensions designated under the Saskatchewan Natural Gas Distribution Program.
5. The existing Electric Demand Incentive Rate was to remain in effect except for the winter period December 1 to February 15, subject to review at the next SPC hearing.
6. Approval to implement the Peak/Off Peak Incentive Rate proposed March 19, 1984 as of the date that a new electric rate schedule comes into effect.
7. The use of the Composite Peaking Plant Methodology (CPP) as proposed by SPC was not acceptable for power production cost classification purposes and, therefore, was not approved.
8. SPC was directed to prepare and submit to the Commission for approval an Electric Rates Schedule, pursuant to Commission Order SPC 6-83 that reflected:
   a) the revenue to cost ratio for any customer class, calculated on an annualized and normalized basis and using the Average and Excess Demand Methodology (AED) for classifying power production costs, was not to move father away from 1.0 than it was at the time of the order.
   b) the revenue for streetlights was to cover the related cost of service.
   c) no existing customer class was to have its minimum monthly charge reduced below the calculated fixed customer service cost. Where any existing minimum monthly charge was below the calculated fixed costs of providing service, it was to be increased, but by no more than one-third of the monthly charge in effect at the time of the order.
   d) bulk customers were to be placed in separate rate classes with a 75% demand ratchet.
   e) revenues resulting from the sale of electricity to the electric and gas utilities were to be cost-based.
   f) the rates schedule should be supported by a comparison of revised rates to proposed and existing rates, a calculation that indicates total annual revenue provided by each customer class and a table that indicates percentage increases by customer class and the range of impacts within customer classes.

9. Pursuant to Commission Orders SPC 4-84 and SPC 6-83, and following confirmation of any cost of gas change on or about August 1, 1984, SPC was directed to prepare and submit to the Commission for approval a gas rates schedule to be effective on September 1, 1984 that reflected the following:

   a) the revenue to cost ratio for any customer class, calculated on an annualized and normalized basis, was not to move farther away from 1.0 than it was at the time of the order.

   b) no existing customer class was to have its minimum monthly charge reduced below the calculated fixed customer service costs. Where any existing minimum monthly charge was below the calculated fixed costs of providing service, it was to be increased, but by no more than one-third of the present minimum monthly charge.

   c) revenues from the GS II, GS III and GS IV Classes were to be adjusted so that the revenue to cost ratios for these customer classes were approximately 0.95.

   d) revenue for the Large Industrial Class was to be adjusted so that the revenue to cost ratio for this class was 1.10 or less.

   e) revenue from the sale of gas to the electric utility was to be adjusted so that the revenue to cost ratio falls within the range of 1.05 to 1.08.

   f) the net revenue loss resulting from adjustment in items d) through f) was to be recovered from the Residential and Farm customer classes.

   g) the rates schedule was to be supported by a comparison of revised rates to proposed and existing rates, a calculation that indicated total annual revenue provided by each customer class and, a table that indicated percentage increases by customer class and the range of impacts within customer classes.

   h) the development of rates was to exclude the uneconomic portion of the Saskatchewan Natural Gas Distribution Program.

July 6, 1984 Order SPC 7-84

Commission Order SPC 6-84 instructed SPC to calculate and present to the Commission for approval, rates schedules for natural gas and electricity that adhered to the criteria specified in that order. Order SPC 7-84 approved the electrical rate schedule submitted by SPC in accordance with Order SPC 6-84. The move towards actual cost of service instituted in the new electric rate structure represented a starting point in the provision of fair and reasonable rates to all classes of customers, based on the cost of service for each class. The new electric rates schedule resulted in an overall increase in electrical rates of 9.8% above the interim rates which went into effect on July 9, 1983. The new electrical rates were made effective August 1, 1984 instead of June 1, 1984 as originally requested by SPC.

July 17, 1984 Order SPC 8-84

This order was passed in compliance with Order-in-Council 824/84 of July 12, 1984, which ordered the Commission to:

1) vary Commission Order SPC 6-84 so as to require that any increase to Farm rates as a class be no greater than an average 9.5% increase over Farm rates in effect at the time SPC 6-84 was made by the Commission.
2) rescind Commission Order SPC 7-84 insofar as it applies to Farm rates; and
3) require SPC to submit to the Commission, for approval by the Commission, a new proposed schedule of Farm rates in accordance with Commission Order SPC 6-84, as varied pursuant to this order.

July 24, 1984 Order SPC 9-84

Commission Order SPC 9-84 directed that the rates approved in Commission Order SPC 7-84 be amended in accordance with the Rate Schedule which was filed by SPC on July 17, 1984. Order SPC 9-84 also directed SPC to use $800,000 in reduced corporate electrical costs to partially offset the foregone revenue of approximately $2.5 million on an annualized basis due to the reduction in the average rate increase to farm customers from 14% to 9.5%.

September 6, 1984 Order SPC 10-84

Commission Orders SPC 1-83 and SPC 5-83 granted interim rate approval to natural gas rates. Order SPC 10-84 gave final approval to these rates for the period in which they were in effect ending August 31, 1984.

Commission Order SPC 10-84 approved new natural gas rates to be charged by SPC effective September 1, 1984. The new gas rates schedule was prepared by SPC in accordance with Commission Order SPC 6-84 which directed SPC to design a schedule of gas rates that would begin to move the revenue generated for each customer class closer to the actual cost of providing service to that customer class. The new gas rates schedule resulted in a system-wide average rate increase of 0.16%.

November 29, 1984 Order SPC 11-84

This order approved four of the five minor amendments requested in SPC's November 8, 1984 application. The four amendments approved were:

1) An additional $500 charge to certain infill customers who obtain natural gas service under the Saskatchewan Natural Gas Distribution Program (SNGDP) after the initial SNGDP installations have been completed in their area.

2) The establishment of a formal rate schedule applicable to gas sold by SPC's gas utility to SPC's electric utility.

3) A change in the effective date of the revised Irrigation Class customer electrical rate from August 1, 1984 to December 1, 1984.

4) Minor wording changes to the Oilfield General (0-500 kVA) electric rate schedule to clarify existing billing procedures.

The fifth minor amendment, which requested an amendment to the regular bulk electrical customer classification and which would have established a separate internal rate classification for North-Sask Electric Ltd., was deferred pending a submission of a separate cost of service study by SPC for North-Sask Electric in their next rate application.

January 22, 1985 Order SPC 1-85

Following from a January 8, 1985 Minor Amendment Application, this order allowed wording changes clarifying existing procedures with respect to:

1) SPC's Business Policy Page GP 7.0 relating to certain natural gas infill customers under the Saskatchewan Natural Gas Distribution Program.

2) The Bulk Customer Class electrical rate page ER 600.7 relating to the feeders from SPC to North-Sask Electric Ltd.

Applications Outstanding

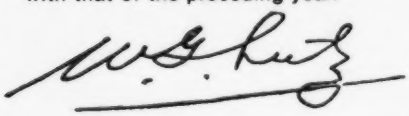
At March, 1985 there were two Sask Tel minor amendment applications and one SPC minor amendment application outstanding.

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the balance sheet of Public Utilities Review Commission as at March 31, 1985 and the statement of revenue, expenditure and operating surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1985 and the results of its operations for the year then ended in accordance with the disclosed basis of accounting applied on a basis consistent with that of the preceding year.



W.G. Lutz, F.C.A.,
Provincial Auditor.

Regina, Saskatchewan,
June 28, 1985.

Balance Sheet

As at March 31

Statement 1

	1985	1984
Assets		
Current		
Cash	$ 24,747	$ 50,184
Term deposits — at cost	145,777	80,561
Accounts receivable — corporations	46,335	159,645
Prepaid expenses	900	1,549
	217,759	291,939
Fixed assets		
Office equipment	36,629	25,478
Library	5,485	3,123
	42,114	28,601
	$259,873	$320,540
Liabilities and Equity		
Current Liabilities		
Accounts payable	$ 10,932	$115,755
Equity		
Equity in fixed assets	42,114	28,601
Operating surplus (Statement 2)	206,827	176,184
	$259,873	$320,540

(See accompanying notes to the financial statements)

Statement of Revenue, Expenditure and Operating Surplus

Statement 2

For the Year Ended March 31, 1985

	1985	1984
Revenue		
Department of Justice	$243,657	$279,900
Direct hearing cost recoveries	201,607	518,791
Investment	20,862	4,457
	466,126	803,148
Expenditure		
Direct hearing cost expenses (Schedule 1)	201,607	518,791
Salaries and fringe benefits	166,742	130,492
Commissioners' expenses	14,042	27,120
Purchase of fixed assets — office equipment	11,152	23,793
— library	2,361	859
Conference expenses	12,187	20,011
Miscellaneous	15,720	12,477
Office supplies	5,588	6,321
Telephone	5,601	5,781
Consultants and legal services	256	6,117
Travel	227	1,772
	435,483	753,534
Excess of revenue over expenditure	30,643	49,614
Operating surplus, beginning of year	176,184	126,570
Operating surplus, end of year	$206,827	$176,184

(See accompanying notes to the financial statements)

Notes to Financial Statements

March 31, 1985

1. **Accounting Policies**

   a) Revenue

   The following are included in revenue for the Commission:

   i) sums required for the purposes of the Commission as appropriated by the Legislature and received from the Department of Justice.

   ii) direct costs incidental to a proceeding.

   b) Fixed assets

   The Commission utilizes fund accounting wherein expenditures for fixed assets appear in the statement of revenue, expenditure and operating surplus. To maintain accountability for fixed assets, it is necessary to record them as a balance sheet asset with a corresponding entry to "Equity in Fixed Assets." Because fixed asset purchases are included in the statement of revenue, expenditure and operating surplus, no provision has been made for depreciation of the fixed assets.

   c) The office of the Commission is located in a government building and accordingly no rent is paid for the use of that space. Neither the value of this benefit nor the costs related to this space are reflected in the financial statements.

   d) As provided by Order-in-Council #1522/82, the remuneration of the Commission chairman includes his remuneration as Associate Chief Judge of the Provincial Court of Saskatchewan funded by the Department of Justice. Therefore, these financial statements do not reflect this portion of the cost of his remuneration.

2. **Incorporation**

   The Commission was established by The Public Utilities Review Commission Act which came into force by Order-in-Council #1483/82, September 21, 1982.

Schedule of Direct Hearing Expenses

For the Year Ended March 31, 1985

Schedule 1

	1985	1984
Consultants	$102,987	$252,692
Legal counsel	30,867	93,285
Commissioners	30,410	83,951
Court reporting	14,778	37,537
Publication	11,098	21,135
Other	8,562	22,455
Audio Visual	2,905	7,736
Total direct hearing expenses (Statement 2)	$201,607	$518,791